



OFFICIAL STUDY GUIDE 2001 EDITION



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COLLEGE-LEVEL EXAMINATION PROGRAM

Principles of Management

Description of the Examination

The Subject Examination in Principles of Management covers the material that is usually taught in an introductory course in the essentials of management and organization. The fact that such courses are offered by different types of institutions and in a number of fields other than business has been taken into account in the preparation of this exam. The exam requires a knowledge of human resources and operational and functional aspects of management, but primary emphasis is placed on functional aspects of management.

The exam is 90 minutes long and includes approximately 100 multiple-choice questions to be answered in two separately timed 45-minute sections.

Knowledge and Skills Required

Questions on the exam require candidates to demonstrate one or more of the following abilities.

- Specific factual knowledge, recall, and general understanding of purposes, functions, and techniques of management (about 10 percent of the exam)
- Understanding of and ability to associate the meaning of specific terminology with important management ideas, processes, techniques, concepts, and elements (about 40 percent of the exam)
- Understanding of theory and significant underlying assumptions, concepts, and limitations of management data, including a comprehension of the rationale of procedures, methods, and analyses (about 40 percent of the exam)
- Application of knowledge, general concepts, and principles to specific problems (about 10 percent of the exam)

The subject matter of the Principles of Management exam is drawn from the following topics.

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▼	<i>Approximate Percent of Examination</i>
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20%	Organization and Human Resources Personnel administration Collective bargaining Human relations and motivation Training and development Performance appraisal Organizational development Effective communication Legal concerns Work force diversity
15%	Operational Aspects of Management Operations planning and control Work scheduling Quality management (e.g., TQM) Information processing and management Strategic planning and analysis Productivity

➡ *Approximate Percent of Examination*

50% Functional Aspects of Management

Planning
Organizing
Directing
Controlling
Authority
Decision making
Organization charts
Leadership
Organizational structure
Budgeting
Communication
Problem solving
Group dynamics
Conflict resolution
Effective communication
Change
Organizational theory

15% Miscellaneous Aspects of Management

Historical aspects
Social responsibilities of business
Systems
International management and competition
Environment
Ethics
Government regulation
Management theory and theorists

Sample Questions

The 24 sample questions that follow are similar to questions on the Principles of Management exam, but they do not appear on the actual exam. CLEP exams are designed so that average students completing a course in the subject can usually answer about half the questions correctly.

Before attempting to answer the sample questions, read all the information about the Principles of Management exam on the preceding pages. Additional suggestions for preparing for CLEP exams are provided in Chapter 1.

Try to answer correctly as many questions as possible. Then compare your answers with the correct answers, given at the end of this examination guide.

Directions: Each of the questions or incomplete statements below is followed by five suggested answers or completions. Select the one that is best in each case.

1. Which of the following words is NOT logically related to the others?
(A) Planning (B) Directing (C) Producing
(D) Controlling (E) Organizing (A) (B) (C) (D) (E)

2. Program Evaluation and Review Technique (PERT) is a system for
(A) developing the organization chart for a company
(B) scheduling and finding the critical path for production
(C) evaluating the performance of workers
(D) reviewing the overall financial condition of the company
(E) programming a computer

(A) (B) (C) (D) (E)

3. Which of the following is a correct statement about controlling as a management function?
(A) It can be performed independently of planning.
(B) It is performed only by the controller of an organization.
(C) It is more prevalent in business than in government.
(D) It assumes a certain approach to motivating employees.
(E) To work effectively, it must be closely related to planning.

(A) (B) (C) (D) (E)

4. Decentralization tends to be encouraged by which of the following business trends?
- I. Product diversification
 - II. Use of electronic computers
 - III. Geographical expansion of operations
- (A) I only (B) II only (C) III only
(D) I and III only (E) II and III only (A) (B) (C) (D) (E)
5. Which of the following can be best determined by consulting an organization chart?
- (A) The size of the company
(B) The relationships of people
(C) The nature of work performed
(D) The relationship of positions
(E) The quality of management of the firm (A) (B) (C) (D) (E)
6. Which of the following best illustrates informal organization?
- (A) Line authority, such as that of the field marshal and battalion commander in the military
(B) Staff authority, such as that of personnel or cost control in manufacturing
(C) Functional authority, such as corporate supervision of the legal aspect of pension plans in branch plants
(D) The acceptance of authority by subordinates
(E) Groupings based on such things as technical ability, seniority, and personal influence (A) (B) (C) (D) (E)
7. The number of subordinates who directly report to a superior refers to the manager's
- (A) span of control (B) organizational role
(C) organizational structure (D) chain of command
(E) general staff (A) (B) (C) (D) (E)

8. The choice of organizational structure to be used in a business should be
- (A) made by mutual agreement among all the people affected
 - (B) based on consideration of the type of organizational structures used by competitors
 - (C) subject to definite and fixed rules
 - (D) based on the objectives of each individual business
 - (E) made by organization specialists rather than managers
- (A) (B) (C) (D) (E)
9. The concept of hierarchy of needs attempts to explain which of the following?
- (A) Functional supervision (B) Unity of command
 - (C) Line-staff conflict (D) Heuristic programming
 - (E) Personal motivation
- (A) (B) (C) (D) (E)
10. Frederick Taylor is considered a pioneer in the school of management referred to as the
- (A) management-process school
 - (B) empirical school
 - (C) scientific-management school
 - (D) behaviorist school
 - (E) social-system school
- (A) (B) (C) (D) (E)
11. Preparation of which of the following is the most logical first step in developing an annual operating plan?
- (A) A sales forecast by product
 - (B) A production schedule by product
 - (C) A flow-of-funds statement by product
 - (D) A plant and equipment requirement forecast
 - (E) A pro forma income statement and balance sheet
- (A) (B) (C) (D) (E)

12. A large span of control throughout an organization invariably results in
- (A) low morale
 - (B) high morale
 - (C) an excess work load for each manager
 - (D) a flat (horizontal) organizational structure
 - (E) a tall (vertical) organizational structure
- (A) (B) (C) (D) (E)
13. Which of the following is an example of a line position in a manufacturing organization?
- (A) The sales manager concerned with selling a product in a given territory
 - (B) The head of research and development concerned with new products
 - (C) The controller concerned with establishing budgets
 - (D) The personnel manager concerned with employing workers
 - (E) The quality control manager concerned with maintaining quality standards in a production plant
- (A) (B) (C) (D) (E)
14. Which of the following is a conflict-resolution practice that seeks to satisfy both parties to a conflict?
- (A) Avoidance
 - (B) Stipulation
 - (C) Competition
 - (D) Collaboration
 - (E) Appeal to authority
- (A) (B) (C) (D) (E)
15. Which of the following goals is most likely to produce the desired results?
- (A) "Do your best."
 - (B) "Outproduce your competitor by 5%."
 - (C) "Introduce new products to the market at an unprecedented rate."
 - (D) "Increase sales volume by 10% while maintaining current rate of expenditures."
 - (E) "Reduce defects due to poor work habits."
- (A) (B) (C) (D) (E)

16. The practice in large companies of establishing autonomous divisions whose heads are entirely responsible for what happens is referred to as
- (A) management by exception
 - (B) decentralization of authority
 - (C) delegation of authority
 - (D) integration
 - (E) informal organization
- (A) (B) (C) (D) (E)
17. Which of the following control techniques is most likely to emphasize the importance of time?
- (A) Break-even charts
 - (B) Physical standards
 - (C) Quality circles
 - (D) Variable budgeting
 - (E) PERT (program evaluation and review technique)
- (A) (B) (C) (D) (E)
18. In profit-decentralized companies, which of the following responsibilities of division managers should be subject to the LEAST restriction by top managers?
- (A) approval of advertising and product promotion programs
 - (B) approval of the selection of key division executives
 - (C) approval of major capital expenditures
 - (D) establishment of procedures in functional areas
 - (E) setting of long-range objectives and annual goals
- (A) (B) (C) (D) (E)
19. Isabel Myers, Katherine Briggs, and Carl Jung have developed different models to help individuals understand
- (A) different approaches to decision making
 - (B) personal aptitude for international careers
 - (C) the relevance of cultural background
 - (D) the stages of human relationships
 - (E) the limitations of measures of the intelligence quotient
- (A) (B) (C) (D) (E)

20. In a labor negotiation, if a third party has the power to determine a solution to a labor dispute between two parties, the negotiation is known as
- (A) a grievance
 - (B) an arbitration
 - (C) a conciliation
 - (D) a mediation
 - (E) a concession
- (A) (B) (C) (D) (E)
21. A type of control device for assessing the progress of planned activities and the expenditure of resources allocated to their accomplishments is referred to as
- (A) a strategic plan
 - (B) an organizational chart
 - (C) a tactical plan
 - (D) a budget
 - (E) a proposal
- (A) (B) (C) (D) (E)
22. Which of the following do managerial/leadership grids, team-building, and sensitivity training have in common?
- (A) They are crucial to operations management.
 - (B) They are tools for organizational development.
 - (C) They were developed by Peter Drucker.
 - (D) They are necessary to the budgeting process.
 - (E) They are the key elements of positive-reinforcement programs.
- (A) (B) (C) (D) (E)
23. According to Maslow, the need to feel genuinely respected by peers, both in and out of the work environment, is included in which of the following need classifications?
- (A) Physiological
 - (B) Safety
 - (C) Stability
 - (D) Esteem
 - (E) Self-actualization
- (A) (B) (C) (D) (E)

24. Which of the following management activities is most typically described as a controlling function?
- (A) Goal setting
 - (B) Purchasing
 - (C) Coordinating
 - (D) Budgeting
 - (E) Recruiting
- Ⓐ Ⓑ Ⓒ Ⓓ Ⓔ

Study Resources

To prepare for the Principles of Management exam, you should study the contents of at least one textbook used in introductory management courses at the college level. You can find textbooks used for college-level introductory management courses in many college bookstores. When selecting a textbook, check the table of contents against the “Knowledge and Skills Required” section on pages 1-3. Since they may vary somewhat in content, approach, and emphasis, you may wish to consult more than one textbook on the major topics. The Internet is another resource you could explore.

Answers to Sample Questions

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1. C
2. B
3. E
4. D
5. D
6. E
7. A
8. D
9. E
10. C
11. A
12. D
13. A
14. D
15. D
16. B
17. E
18. D
19. A
20. B
21. D
22. B
23. D
24. C